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PTQ0845

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ACTION WHA-00

INFO	LOG-00	NP-00	AID-00	CEA-01	CIAE-00	CTME-00	DINT-00
	DODE-00	ITCE-00	DOTE-00	SRPP-00	EB-00	EXME-00	E-00
	FAAE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00	INR-00
	ITC-01	L-00	VCE-00	AC-01	DCP-01	NSAE-00	NSCE-00
	OES-01	OMB-01	OPIC-01	PC-01	PM-00	PRS-00	ACE-00
	SP-00	IRM-00	SSO-00	SS-00	STR-00	TEST-00	TRSE-00
	USIE-00	EPAE-00	PMB-00	DRL-02	G-00	NFAT-00	SAS-00

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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC IMMEDIATE 5380
INFO USDOC WASHDC
DOE WASHDC
AMEMBASSY MEXICO
AMEMBASSY PORT OF SPAIN
AMEMBASSY BRASILIA
AMEMBASSY QUITO
AMEMBASSY LIMA
AMEMBASSY BOGOTA
OPEC COLLECTIVE

RELEASED IN PART
B6, B1, 1.4(D)

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SENSITIVE

E.O. 12958:N/A

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TAGS: ECON, EPET, ENRG, VE
SUBJECT: PDVSA: THE HEAVY HAND OF HUGO CHAVEZ

REF: CARACAS 899 AND PREVIOUS

THE FOLLOWING IS SENSITIVE BUT UNCLASSIFIED; PLEASE HANDLE
ACCORDINGLY.

1. (U) SUMMARY: IN AN APRIL 7 NATIONAL TELEVISION ADDRESS,
PRESIDENT CHAVEZ ANNOUNCED THE FIRING OF SEVEN PETROLEOS DE
VENEZUELA (PDVSA) MANAGERS, THE FORCED RETIREMENT OF 12,
AND THE REMOVAL OF AN ADDITIONAL FIVE FROM THEIR CURRENT
POSITIONS. THE EXECUTIVES REPRESENT A BROAD SECTION OF THE
INDUSTRY, INCLUDING PDVSA, PDVSA GAS, AND THE COUNTRY'S
REFINERIES. THE REACTION WAS IMMEDIATE WITH THE FIRED

~~UNITED STATES DEPARTMENT OF STATE~~
CLASSIFIED BY DEPT. OF STATE, L. R. LOHMAN, DAS, A/RPS
REVIEW AUTHORITY: JOHN L MILLS
CLASSIFICATION: CONFIDENTIAL REASON: 1.4(D)
DECLASSIFY AFTER: 8 APR 2012
DATE/CASE ID: 30 AUG 2004 200400110

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WORKERS LEADING A NOISY GROUP OF DEMONSTRATORS IN CALLS FOR AN "INDEFINITE" PDVSA STRIKE. THE LEADERSHIP OF THE VENEZUELAN WORKERS CONFEDERATION (CTV) RESPONDED BY CALLING FOR A 24-HOUR GENERAL STRIKE STARTING ON TUESDAY MORNING, APRIL 9. THIS CALL WAS IN TURN SUPPORTED BY FEDECAMARAS, THE LARGEST BUSINESS ASSOCIATION. IN A DISPLAY OF ONEUPSMANSHIP, CHAVEZ THEN RETURNED TO NATIONAL TELEVISION TO INTERRUPT A FEDECAMARAS NEWS CONFERENCE AND TO ANNOUNCE A 20 PERCENT INCREASE IN THE MINIMUM WAGE AS OF MAY 1.
END SUMMARY.

CHAVEZ BEGINS WITH PDVSA ...

2. (U) SPEAKING ON NATIONAL TELEVISION ON SUNDAY, APRIL 7, PRESIDENT CHAVEZ ANNOUNCED THE FIRING OF SEVEN PDVSA
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MANAGERS, THE FORCED RETIREMENT OF 12, AND THE REMOVAL OF AN ADDITIONAL FIVE FROM THEIR CURRENT POSITIONS. HE WARNED THAT ANY OTHER PROTESTORS WILL BE AUTOMATICALLY FIRED. HE ALSO DESCRIBED THREE PROTESTORS RESPONSIBLE FOR THE SHUT-DOWN OF THE EL PALITO REFINERY AS SUBVERSIVE TERRORISTS, A LABEL HE HAS REFUSED TO GIVE TO COLOMBIAN GUERILLAS.

3. (U) CHAVEZ RIDICULED ARGUMENTS ABOUT A MERITOCRACY IN PDVSA, POINTING TO THE APPOINTMENT OF INDUSTRY OUTSIDERS IN PAST GOVERNMENTS. HE DREW A SHARP CONTRAST BETWEEN THE SALARIES OF MANAGERS AND BLUE-COLLAR WORKERS. HE ALSO DREW A SHARP (AND SPECIOUS) CONTRAST BETWEEN OPERATIONAL COSTS AS A PERCENTAGE OF COMPANY EARNINGS IN 1976 (THE YEAR OF THE NATIONALIZATION) AND 2000.

4. (U) THE FIRED EMPLOYEES WERE CASTIGATED FOR UNJUSTIFIED ABSENCES FROM THE JOB DURING THE WORK DAY AND FOR INCITING OTHER WORKERS TO PROTEST. THE LIST INCLUDES PDVSA EMPLOYEES WHO HAVE BEEN PARTICULARLY ACTIVE IN THE PROTEST MOVEMENT OVER THE PAST SIX WEEKS. THE LIST OF THOSE FORCED INTO RETIREMENT INCLUDES MANY OF PDVSA'S MOST HIGHLY QUALIFIED EMPLOYEES, INCLUDING THE THREE VICE PRESIDENTS REMOVED FROM THE BOARD SIX WEEKS AGO. IT IS NOT SURPRISING THAT THE LIST INCLUDES A NUMBER OF EMPLOYEES FROM PDVSA GAS. PDVSA GAS EMPLOYEES HAVE HAD A LEADERSHIP ROLE IN THIS PROTEST BECAUSE OF THEIR (SUCCESSFUL) EXPERIENCE IN FIGHTING OFF A MINISTRY OF ENERGY AND MINES ATTEMPT TO SPIN THEM OFF AS A SEPARATE GAS COMPANY LAST FALL. THE GOV'S DECISION TO RETIRE THEM, HOWEVER, MAY HAVE AN UNFORTUNATE IMPACT ON ANOTHER CRISIS BREWING IN VENEZUELA - THAT IN THE ELECTRICITY SECTOR. THIS SECTOR RELIES HEAVILY ON NATURAL

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GAS SUPPLY AND WILL CERTAINLY SUFFER AS THE RETIREES FROM
PDVSA GAS INCLUDE KEY LIAISONS BETWEEN THE GAS AND
ELECTRICITY SECTORS. FINALLY, WHILE NOT ALL THE DIRECTORS
WHO SIGNED THE INITIAL "LET'S SAVE PDVSA" PETITION HAVE
BEEN FIRED/SUSPENDED/RETIRED/OR REPLACED - MOST NOW HAVE
BEEN.

FIRED

EDDIE RAMIREZ, MANAGING DIRECTOR, PALMAVEN (PDVSA
FERTILIZER AFFILIATE)
JUAN FERNANDEZ, DIRECTOR, PLANNING AND FINANCE CONTROL
HORACIO MEDINA, DIRECTOR FOR NEGOTIATION STRATEGIES, PDVSA
EXPLORATION AND PRODUCTION
GONZALO FEIJOO, REFINING STRATEGY ADVISOR
EDGAR QUIJANO, HUMAN RESOURCES MANAGER
ALREDO GOMEZ, LEGAL ISSUES, PDVSA GAS
CARMEN ELISA HERNANDEZ, NEW BUSINESS ANALYST, PDVSA GAS

FORCIBLY RETIRED

LUIS ANDRES ROJAS, VICE PRESIDENT PDVSA GAS
LUIS ARAI, OPERATIONS DIRECTOR, PDVSA GAS

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INFO USDOC WASHDC
DOE WASHDC

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AMEMBASSY PORT OF SPAIN
AMEMBASSY BRASILIA
AMEMBASSY QUITO
AMEMBASSY LIMA
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JORGE CARNEVALLI, MANAGING DIRECTOR, THIRD PARTY
BUSINESS

LUIS PACHECO, ADVISOR TO THE PRESIDENCY
FERNANDO PUIG, PRESIDENT, INTEVEP (PDVSA TECHNICAL ARM)
CARLOS ESPINOZA, DIRECTOR, INTEVEP
JUAN SANTANA, MANAGING DIRECTOR FOR PLANNING, PDVSA GAS
ROGELIO LOZADA, MANAGER, EL PALITO REFINERY
RAMON MARCANO, OPERATIONS MANAGER, EL PALITO REFINERY
KARL MAZEIKAS, REMOVED AS PDVSA VICE PRESIDENT SIX WEEKS
AGO

EDUARDO PRASELJ, REMOVED AS PDVSA VICE PRESIDENT
VINCENZO PAGLIONI, REMOVED AS PDVSA VICE PRESIDENT

MOVED TO OTHER POSITIONS

IVAN CRESPO, MANAGING DIRECTOR, CIBERNETICA
IGNACIO LAYRISSE, JOINT DIRECTOR OF PRODUCTION, PDVSA
EXPLORATION AND PRODUCTION
JOSE ANTONIO, BUSINESS MANAGER, PETROZUATA
ENRIQUE TORRES, DIRECTOR, PEQUIVEN (PDVSA CHEMICALS
AFFILIATE)
ORLANDO MORALES, PRODUCTION MANAGER, ANACO DISTRICT

... AND MOVES ON TO OTHER CONFRONTATIONS

5. (U) MOVING ON, CHAVEZ ATTACKED THE LEADERSHIP OF THE CTV
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(VENEZUELAN WORKERS CONFEDERATION). REFERRING TO HIS ADMINISTRATION'S ATTEMPT TO DECLARE LAST FALL'S ELECTION OF CTV PRESIDENT CARLOS ORTEGA AS FRAUDULENT, CHAVEZ REPORTED THAT THE GOV IS SENDING A TEAM TO BRIEF THE ILO IN GENEVA ON ITS POSITION.

6. (U) THE REACTION TO PRESIDENT CHAVEZ'S REMARKS WAS PREDICTABLE AND IMMEDIATE. THE FIRED PDVSA EXECUTIVES APPEARED BEFORE PDVSA HEADQUARTERS WITH A NOISY GROUP OF DEMONSTRATORS AND CALLED FOR AN "INDEFINITE" PDVSA STRIKE. THE CTV CALLED FOR A 24-HOUR GENERAL STRIKE STARTING ON TUESDAY MORNING, APRIL 9. THE CTV WAS REPORTEDLY JOINED IN THIS POSITION BY FEDEPETROL, THE LARGEST BLUE-COLLAR PETROLEUM UNION. FEDECAMARAS IN TURN ANNOUNCED ITS SUPPORT FOR THE CTV AND CALLED ON ALL EMPLOYERS TO SUPPORT THE GENERAL STRIKE.

7. (U) DURING THE FEDECAMARAS NEWS CONFERENCE, CHAVEZ HIMSELF RETURNED TO NATIONAL TELEVISION TO ANNOUNCE A 20 PERCENT INCREASE IN THE MINIMUM WAGE AS OF MAY 1. FEDECAMARAS PRESIDENT PEDRO CARMONA THEN RESPONDED THAT THE BUSINESS SECTOR UNDERSTOOD THE NEED FOR SUCH AN INCREASE BUT COULD NOT COMMENT FURTHER UNTIL THEY HAD SEEN THE DETAILS OF THE PRESIDENT'S PROPOSAL. HE ALSO NOTED THAT, FOR THREE YEARS, THE GOV HAS IGNORED THE LAW BY FAILING TO CONVENE THE TRIPARTITE COMMISSION OF BUSINESS, LABOR AND GOVERNMENT THAT IS SUPPOSED TO NEGOTIATE SUCH INCREASES.

GENERAL STRIKE?

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8. (U) OUR INFORMATION ON LIKELY SUPPORT OF A GENERAL STRIKE IS SKETCHY. [REDACTED] THE AUTOMOTIVE INDUSTRY IS DIVIDED: [REDACTED] HAVE THE SAME UNION WHICH SUPPORTS THE GOV AND THUS WILL NOT STRIKE. IT APPEARS THE OTHER COMPANIES WILL STRIKE. [REDACTED] THE BANKS WILL NOT STRIKE. OIL COMPANY EXECUTIVE OFFICES WILL CLOSE. [REDACTED]

[REDACTED] OIL FIELD RANK AND FILE WORKERS IN THE MARACAIBO AREA HAVE BEEN INSTRUCTED BY THEIR UNION LEADERS NOT TO REPORT TO WORK - BUT THIS IS STILL A QUESTION MARK DUE TO DIVISIONS WITHIN FEDEPETROL. OUR BEST GUESSES ON PDVSA ACTIVITIES WILL BE COVERED IN SEPTTEL.

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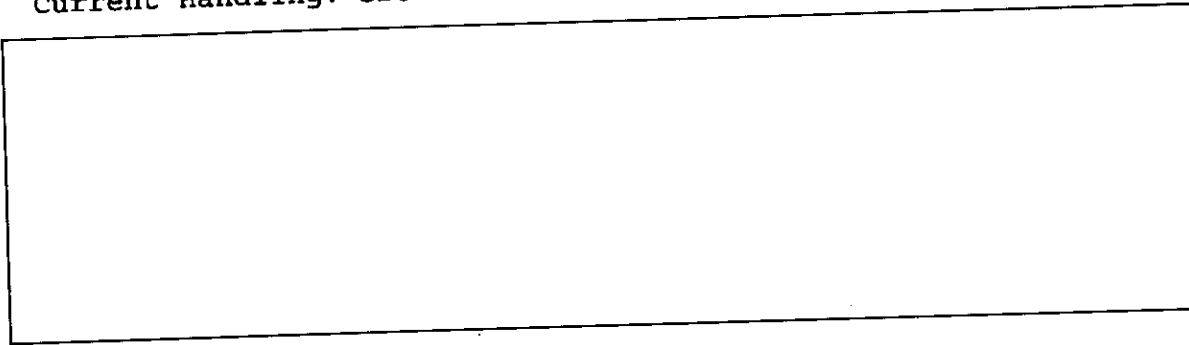
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